

26

## MERIT CONTINUITY PROGRAM

### CONCEPTS

Prepare to defend

Tactic

- ① Maintain sales in light of heavy competitive activity
- ② during new product intro

- what type of item
- high perceived value
- can we request profits + charge to liquidate?
- what items / dual appeal sub
- more than one in a volume?

Presented to:

PHILIP MORRIS U.S.A.

Presented by:

WILLIAM A. ROBINSON, INC.

October 2, 1985

2044146326

## Background

Merit has asked William A. Robinson, Inc. to explore continuity programs. The objectives to be achieved in such a program are:

1. Maintain sales among Merit's current customer base, especially in price competitive markets.
2. Generate trial and conversion among "switch" smokers.

Strategies used to reach these objectives are:

1. Add value to the Merit purchase to differentiate it from other brands without using price discounts.
2. Utilize an ongoing program to maintain sales.
3. Offer the program in various vehicles to reach current smokers and "switchers."
4. Introduce a trade program that will reward retailers for ongoing support.
5. Reinforce the advertising creative message to further extend brand image.

There are options in delivery and execution to consider in a program of this nature. The following pages will illustrate through specific programs the various options. However, in most cases, these factors are interchangeable with one another.

1. Long-term v. series of short-term programs. Do you want to commit inventory and a program for a number of years or would you prefer to make short-term commitments? Long term can capture smokers' attention by offering large prizes and valuable incentives. However, it requires updating catalogs and keeping product and fulfillment going for years. Short term is easier to get in and out of but generally will only capture loyalty for the length of the program.
2. In-pack scrip (coupons or stamps) v. proofs of purchase. Is the factory capable of in-packing scrip? It would eliminate handling of dirty proofs and packs, would be less bulky for the consumer to save and mail, and could eliminate "garbage collectors" from major redemptions.
3. Free premiums only v. speed plan liquidators v. discounts.

Some of these alternatives can be combined in one catalog or offer. To give you an idea of redemption levels for premiums, we've gathered some examples. All of these offers were delivered direct mail.

Example #1: Free premium valued at \$5.00 retail when 7 proofs of a \$1.00 item were submitted. 5-7% redemption.

2044146323

Example #2: Speed plan offer that gave two options for each of 3 items -- a \$5.00 retail, \$10.00 retail, \$25.00 retail item. Could be redeemed free with multiple purchase or for 50% cash and proofs of purchase. 2% redemption, strongest redemption in free \$5.00 category.

4. Media (print) support v. free-standing promotion.  
Realistically we know point of sale support will be very limited in duration. In-pack offers can reach current users and a limited number of switchers. We believe some print support -- even violators in brand advertising -- will help to launch and maintain this type of program.
5. High value items v. low value items.  
Paramount to the item selection will be how much Brand is willing to spend "per pack." For example, \$.01 (per pack) x 20 (5% redemption) = 20¢ per pack value toward item. \$10.00 item would require 50 packs.

Looking at this another way, you can assign a pre-pack value comparable to the value of a two-pack premium -- \$.25-\$.35 per pack cost, \$.50-\$.70 per pack "retail." Here a \$10.00 item would require about 20 packs. Value would escalate much quicker, so more high value items would be needed.

2044146329

## CONCEPT 1

Concept: Series of short term, unique free premium offers via the "Merit Captain's Club."

Description: This concept utilizes ongoing direct mail to an interested list of smokers. Via point of sale tear pads and announcement print ads invite smokers to sign-up for the Merit Captain's Club by calling a toll-free number. Sample packs, "savers" cards and the first month's unique premium offer would be sent to them by return mail.

Smokers could receive the featured premium by mailing back UPC codes cut from Merit packages. A nominal postage and handling charge would be required.

Each four to six weeks a new premium offer would be sent to Club members. Premiums would be universal, i.e. unusual brass ashtray, ship's lantern, waterproof ponchos, and even seasonal items, i.e. nautically themed gift wrap kit, or summer rope hammock.

Elements: Point of Sale to deliver Merit Captain's Club membership phone number.

- . Media ad support for offer.
- . Direct mail packages to include:
  - . offer
  - . savers card/order form
  - . product samples and/or coupons
  - . follow-up mailers
- . Fulfillment

Rationale: . The periodic mailings keep the program top of mind.

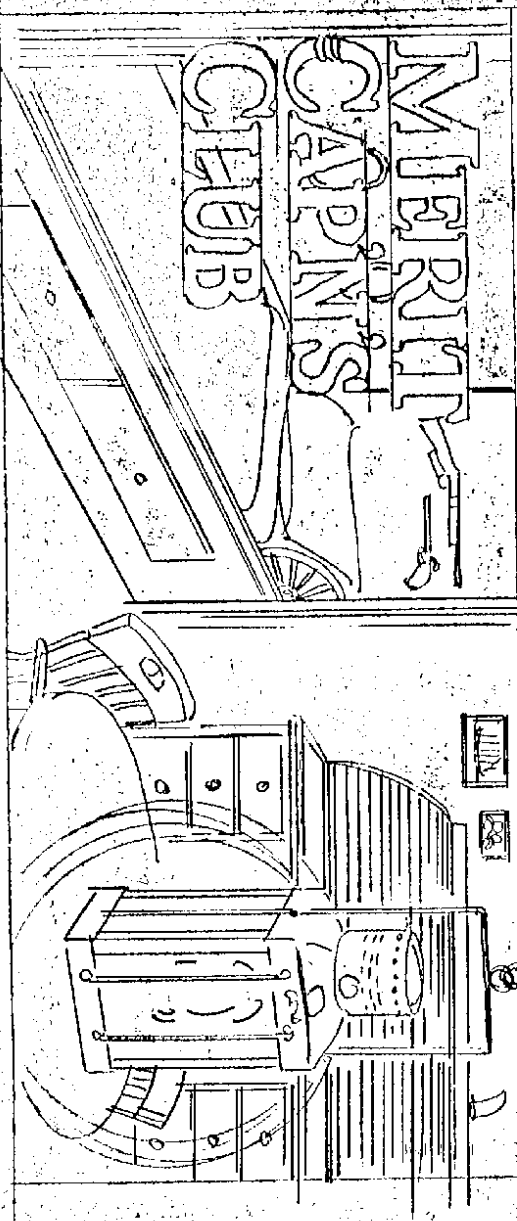
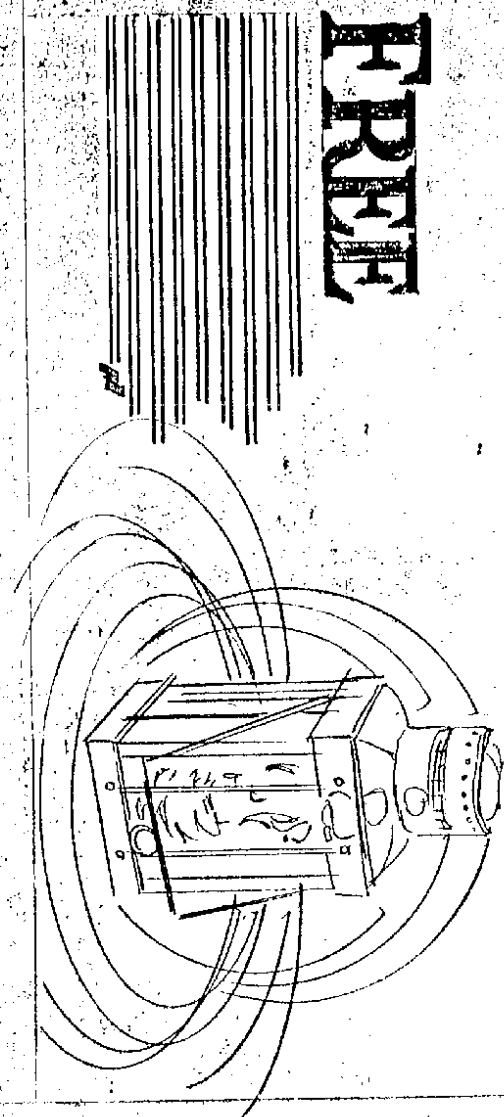
. Items will appeal to most "members," yet reinforce brand image.

- . Free incentive is strong, can help capture "switchers" and reward current loyal users.
- . Program can have an end as opposed to a long-term premium catalog that can become outdated.

Additional opportunities:

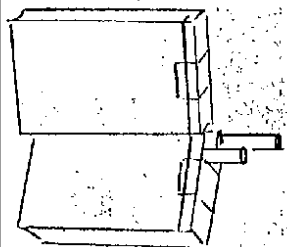
- . Consider using competitive smoker list from Select & Save and direct mail the first mailing.
- . Reward retailers for display with items as a dealer loader.

# FREE



2044146332

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60  
61  
62  
63  
64  
65  
66  
67  
68  
69  
70  
71  
72  
73  
74  
75  
76  
77  
78  
79  
80  
81  
82  
83  
84  
85  
86  
87  
88  
89  
90  
91  
92  
93  
94  
95  
96  
97  
98  
99  
100  
101  
102  
103  
104  
105  
106  
107  
108  
109  
110  
111  
112  
113  
114  
115  
116  
117  
118  
119  
120  
121  
122  
123  
124  
125  
126  
127  
128  
129  
130  
131  
132  
133  
134  
135  
136  
137  
138  
139  
140  
141  
142  
143  
144  
145  
146  
147  
148  
149  
150  
151  
152  
153  
154  
155  
156  
157  
158  
159  
160  
161  
162  
163  
164  
165  
166  
167  
168  
169  
170  
171  
172  
173  
174  
175  
176  
177  
178  
179  
180  
181  
182  
183  
184  
185  
186  
187  
188  
189  
190  
191  
192  
193  
194  
195  
196  
197  
198  
199  
200  
201  
202  
203  
204  
205  
206  
207  
208  
209  
210  
211  
212  
213  
214  
215  
216  
217  
218  
219  
220  
221  
222  
223  
224  
225  
226  
227  
228  
229  
230  
231  
232  
233  
234  
235  
236  
237  
238  
239  
240  
241  
242  
243  
244  
245  
246  
247  
248  
249  
250  
251  
252  
253  
254  
255  
256  
257  
258  
259  
260  
261  
262  
263  
264  
265  
266  
267  
268  
269  
270  
271  
272  
273  
274  
275  
276  
277  
278  
279  
280  
281  
282  
283  
284  
285  
286  
287  
288  
289  
290  
291  
292  
293  
294  
295  
296  
297  
298  
299  
300  
301  
302  
303  
304  
305  
306  
307  
308  
309  
310  
311  
312  
313  
314  
315  
316  
317  
318  
319  
320  
321  
322  
323  
324  
325  
326  
327  
328  
329  
330  
331  
332  
333  
334  
335  
336  
337  
338  
339  
340  
341  
342  
343  
344  
345  
346  
347  
348  
349  
350  
351  
352  
353  
354  
355  
356  
357  
358  
359  
360  
361  
362  
363  
364  
365  
366  
367  
368  
369  
370  
371  
372  
373  
374  
375  
376  
377  
378  
379  
380  
381  
382  
383  
384  
385  
386  
387  
388  
389  
390  
391  
392  
393  
394  
395  
396  
397  
398  
399  
400  
401  
402  
403  
404  
405  
406  
407  
408  
409  
410  
411  
412  
413  
414  
415  
416  
417  
418  
419  
420  
421  
422  
423  
424  
425  
426  
427  
428  
429  
430  
431  
432  
433  
434  
435  
436  
437  
438  
439  
440  
441  
442  
443  
444  
445  
446  
447  
448  
449  
450  
451  
452  
453  
454  
455  
456  
457  
458  
459  
460  
461  
462  
463  
464  
465  
466  
467  
468  
469  
470  
471  
472  
473  
474  
475  
476  
477  
478  
479  
480  
481  
482  
483  
484  
485  
486  
487  
488  
489  
490  
491  
492  
493  
494  
495  
496  
497  
498  
499  
500  
501  
502  
503  
504  
505  
506  
507  
508  
509  
510  
511  
512  
513  
514  
515  
516  
517  
518  
519  
520  
521  
522  
523  
524  
525  
526  
527  
528  
529  
530  
531  
532  
533  
534  
535  
536  
537  
538  
539  
540  
541  
542  
543  
544  
545  
546  
547  
548  
549  
550  
551  
552  
553  
554  
555  
556  
557  
558  
559  
560  
561  
562  
563  
564  
565  
566  
567  
568  
569  
570  
571  
572  
573  
574  
575  
576  
577  
578  
579  
580  
581  
582  
583  
584  
585  
586  
587  
588  
589  
590  
591  
592  
593  
594  
595  
596  
597  
598  
599  
600  
601  
602  
603  
604  
605  
606  
607  
608  
609  
610  
611  
612  
613  
614  
615  
616  
617  
618  
619  
620  
621  
622  
623  
624  
625  
626  
627  
628  
629  
630  
631  
632  
633  
634  
635  
636  
637  
638  
639  
640  
641  
642  
643  
644  
645  
646  
647  
648  
649  
650  
651  
652  
653  
654  
655  
656  
657  
658  
659  
660  
661  
662  
663  
664  
665  
666  
667  
668  
669  
670  
671  
672  
673  
674  
675  
676  
677  
678  
679  
680  
681  
682  
683  
684  
685  
686  
687  
688  
689  
690  
691  
692  
693  
694  
695  
696  
697  
698  
699  
700  
701  
702  
703  
704  
705  
706  
707  
708  
709  
710  
711  
712  
713  
714  
715  
716  
717  
718  
719  
720  
721  
722  
723  
724  
725  
726  
727  
728  
729  
730  
731  
732  
733  
734  
735  
736  
737  
738  
739  
740  
741  
742  
743  
744  
745  
746  
747  
748  
749  
750  
751  
752  
753  
754  
755  
756  
757  
758  
759  
760  
761  
762  
763  
764  
765  
766  
767  
768  
769  
770  
771  
772  
773  
774  
775  
776  
777  
778  
779  
780  
781  
782  
783  
784  
785  
786  
787  
788  
789  
790  
791  
792  
793  
794  
795  
796  
797  
798  
799  
800  
801  
802  
803  
804  
805  
806  
807  
808  
809  
810  
811  
812  
813  
814  
815  
816  
817  
818  
819  
820  
821  
822  
823  
824  
825  
826  
827  
828  
829  
830  
831  
832  
833  
834  
835  
836  
837  
838  
839  
840  
84

[illegible]

Source: <https://www.industrydocuments.ucsf.edu/docs/lgcy0004>



## CONCEPT 2

Concept: Long-term premium catalog continuity program, "Merit Ship's Locker."

Description: Consumers will be offered a themed premium catalog (perhaps 16-24 pages) that offers a wide range of items and "price" points. The catalog will be offered free at point of sale or mailed to smokers' homes in response to an ad.

Packed into each Merit pack would be "Merit scrip"--saver coupons towards premiums in the catalog. Additional scrip would be packed into cartons to encourage carton purchase. The scrip will also offer a mail-in form for a free catalog for those people who missed the offer in the ad or point of sale.

The theming of the catalog would be exclusively Merit. Items would reflect the nautical image of the brand with many brass offerings, nautical maps, "boating" casual apparel and decorative home and office items. A lead item of an exotic vacation -- two weeks at your own lighthouse on the Atlantic coast -- will set the tone for the booklet. Interspersed among the premium items will be nautical lore copy and image-enhancing photographs to make the catalog a brand reinforcing piece itself.

Each item, including the vacation, would carry a Merit scrip price tag with awards starting at a minimum and soaring up to the lighthouse vacation. (While we doubt many folks would redeem the vacation we think a lead "extravaganza" is critical for image and romance.)

To encourage more active involvement with the catalog, a speed plan program can be included. The item price will be stated both in scrip and in cash. The respondent can order the items free with the scrip, for the full cash price or a reduced price based on the amount of scrip redeemed, i.e. \$1.00 less +20 packs scrip.

Trade Program: To generate trade support both for display and full-line distribution, an incentive program that rewards special Merit trade scrip will be offered. The sales staff will be given a scrip supply to give to retailers based on distributions, display, lack of out of stocks, etc. Scrip can be redeemed from the consumer catalog. Kick-off with direct mail to retailers of a Merit wallet and a start-off scrip gift.

Elements:

- . Premium catalog
- . Merit scrip
- . Trade scrip
- . Point of sale, ad support for introduction
- . Fulfillment.

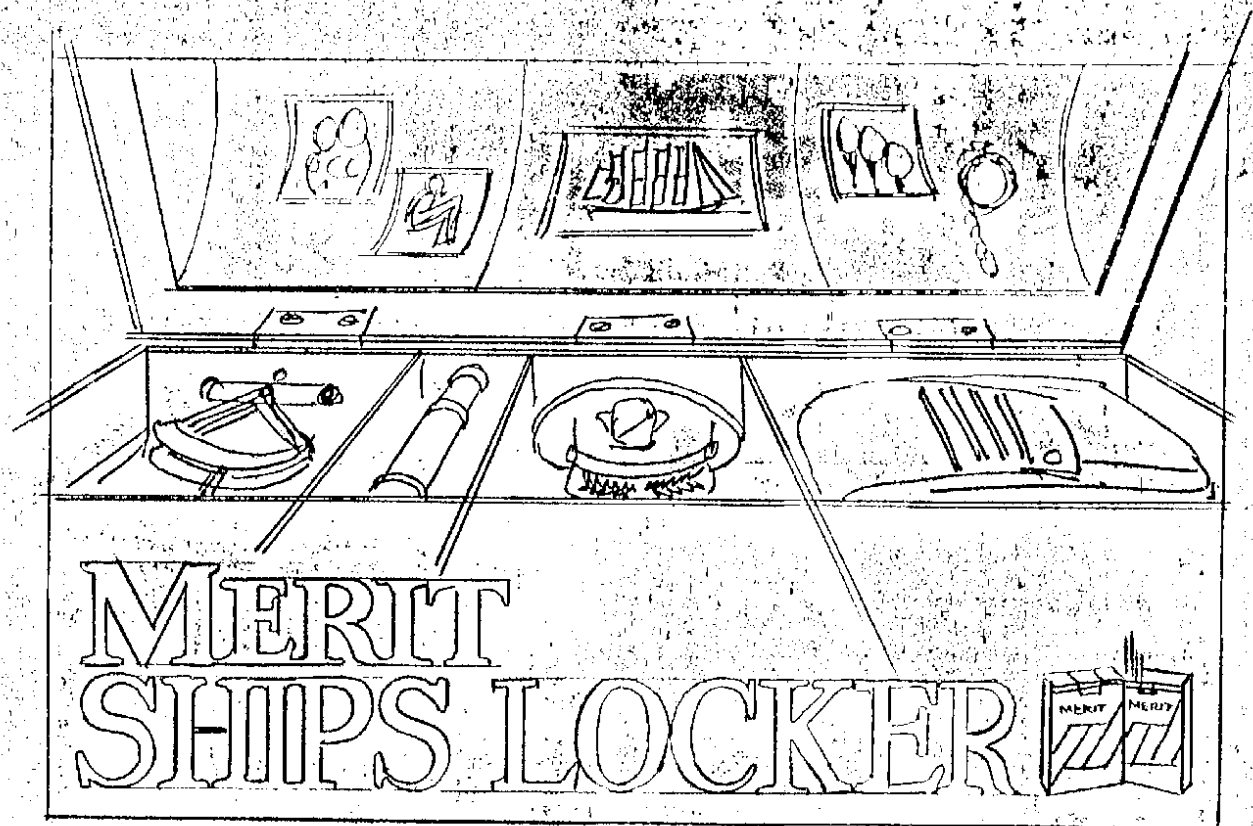
Rationale: This is an excellent vehicle to reward purchase and extend brand image.

- . Participation is easy for all levels of smokers.
- . Quality premiums encourage continuity of purchase.
- . In-pack scrip is a constant reminder of the program.
- . Trade program encourages retail support.

Alternate Catalog Theme: A World of Flavor

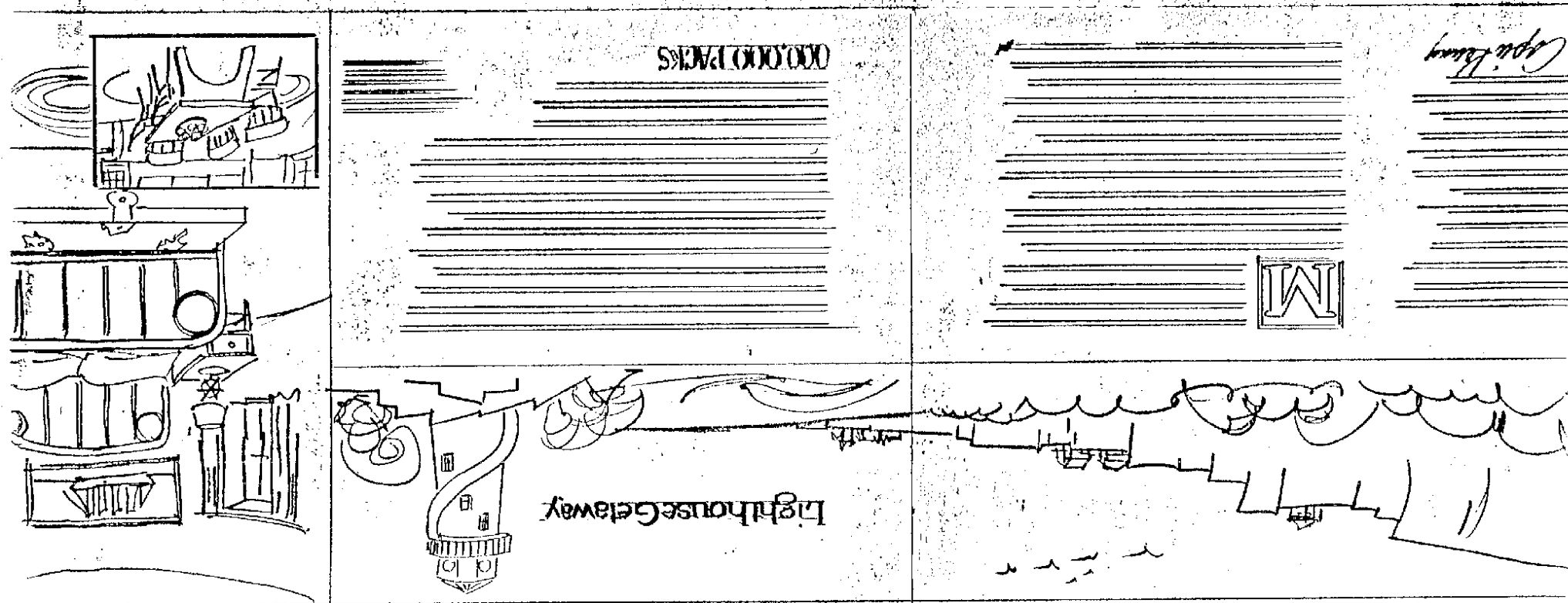
Lead item: Food cruise. Balance of premiums are exotic food items from various port cities, decorative memorabilia from port cities (kitchen linens from a restaurant in Marseille, glasses from Raffles in Singapore, etc.), other nautically themed smoker's needs.

NOTE: This concept does not depend on in-pack scrip.



2044146336

2044146337



### CONCEPT 3

Concept: Tie-in with a manufacturer, retailer or service company to offer a discount program.

Description: Similar to Club Kent or AT&T Opportunity Calling, offer smokers substantial discounts on branded merchandise or services. One approach is to tie-in with a direct mail catalog company such as Land's End. Brand advertising and point of sale would offer "sign-up" forms to receive catalogs and program details by mail.

Smokers would be rewarded with gift certificates good for the catalog house in exchange for X proofs of purchase. Or proofs could be directly submitted to the catalog house with the order for fulfillment. Merit would co-op the costs of the gift certificates or items with the catalog house.

An alternative tie-in could offer a selection of brand name items that reward rebates when Merit proof of purchase and item proof of purchase is submitted. Merit and the manufacturer would share the rebate costs.

Elements:

- . Point of sale with tear-offs.
- . Media ad support for offer.
- . Direct Mail catalogs and offer instructions.
- . Rebates, gift certificates or other fulfillment items as needed.

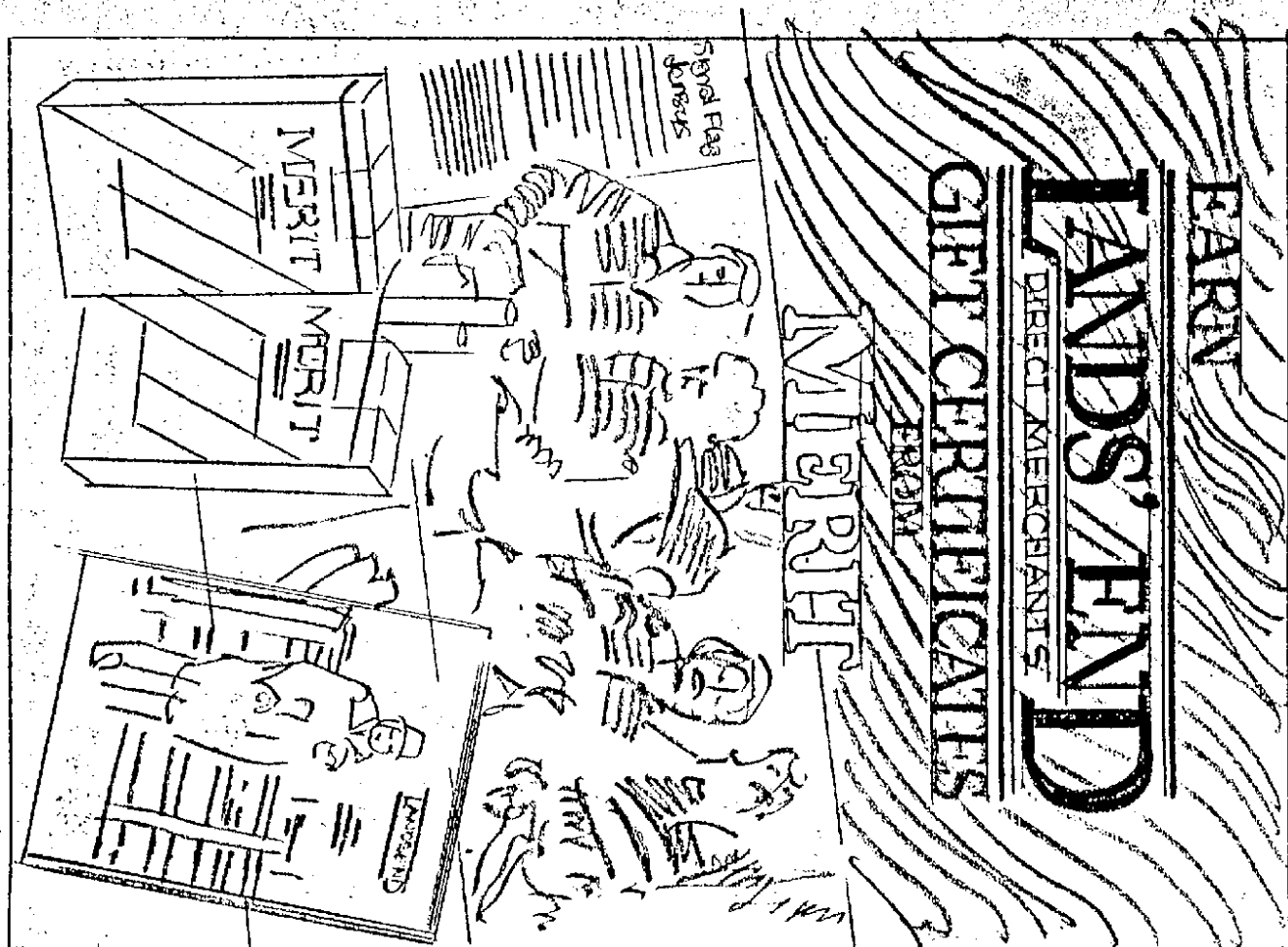
2044146338

Rationale: . This type of program substantially reduces Merit's liability in free goods cost.

- . Possibilities may exist for cross-merchandising.

Alternate Tie-in Partners: "

- . Charge card company, i.e. Citibank Visa. Packs will pay annual fee and/or go for Citidollars merchandise.
- .- Travel company or selected airline, hotel, car rental tie-ins.
- . Restaurant chain, i.e. Pillsbury restaurants, earn certificates for free dinner with purchase of another dinner.



2044146340

### Regional Opportunities

In keeping with Merit's current strategy to focus on regionalized opportunity areas, there are a number of targeted approaches to consider:

- 1) Use any of the concepts for regional markets only. Heavy up on advertising the promotions in these areas. (National manufacturers will be less likely to tie in to regional promotions, however.)
- 2) Customize catalogs or offers to "sweeten the pot," make items easier to get by requiring less proofs. Or provide bonus scrip in packs offered in regional displays to encourage saving.
- 3) Test offers and "price points" in regional mailings prior to national roll-out.
- 4) Use regional chains for tie-in partners to capitalize on local trends and better target the offers.



## Fulfillment Options

Incentive Merchandise House: Companies like Maritz, E. F. McDonald, and S&H offer full-line catalogs or custom chosen merchandise. They hold the inventory, handle fulfillment and maintain all records -- but at a price. Generally the in-the-mail cost to you is about the same as regular retail. They will do custom imprinting. You exchange quantity discount pricing for service and inventory.

Own Inventory/Separate Fulfillment House: You buy the inventory utilizing quantity discounts, an outside fulfillment house stores and fulfills it. Depending on the number of items in the program, this is often a much more cost efficient way to go. However, projecting inventory needs is critical.

Limited Vendor Fulfillment: If merchandise is chosen from only a few manufacturers, fulfillment can often be handled directly. Depending on the customization needed on the items, the orders can often be customized and fulfilled out of current stock. Here you make minimum commitments and own virtually no inventory, yet manufacturers stand ready to fulfill orders.

## Recommendations

For easy entry into a program of this nature and easy escaping, we recommend you start with your Ship's Locker items and inventory as the basic catalog. Some additional low and high end items may be needed to allow a range of "price points."

A speed plan method of redemption would prove the most efficient as it will do the following:

- . Effectively test the items for interest
- . Provide a basis for redemption estimates in large scale future programs based on free redemption and various combinations of purchase and cash levels.
- . Utilize existing inventory and fulfillment procedures.

Consider doing a test in two or more areas.

Control area (strong region): Base redemption requirements on a standard, i.e., 10¢/pack value. Offer catalogs by mail with print advertising support in the form of violators and tear pads at point of sale.

Opportunity area: Base redemption requirements on a much more liberal value, i.e., 25¢/pack value.

Mail catalogs to competitive smokers gathered from Select and Save data.

Offer newspaper advertising or FSI for catalog, possibly with "buy one, get one free" coupon. Support with print violators and point of sale.



NANCY BRENNAN

Hein  
dictates

response

can we charge  
something?  
in relation to  
prop 7 purchase

2044146344

2044146344

Next steps:

- . Brand agreement on best approach.
- . Review Ship's Locker selections for items.
- . Select value of pack for redemption.
- . Decide on "saving device" -- UPC code, in-pack scrip, other device.

B620